

# FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

## The Gifting Club “Gotcha”

When is a gift not a gift? When it’s a “gotcha.”

In a scam spreading throughout the mid-Atlantic states and the Pacific Northwest, people pay to join a “gifting club,” billed in promotional materials as a private club with members eager to help new friends—often from within their own neighborhood or church group.

In reality, the clubs are illegal pyramid schemes. New club members give cash “gifts” to the highest-ranking club members, with titles such as “captains.” If they get additional members to join the club, new members are promised they too will rise to become captains and receive money—far more than they initially paid to join the club—from newer club “friends.”

The problem is, like most pyramid schemes, illegal gifting clubs must continually recruit ever-increasing numbers of members to survive. When the clubs don’t attract enough new members, they collapse. Most members who paid to join the clubs never receive the financial “gifts” they expected, and lose everything they paid to join the club.

### Don’t Get on the Receiving End of a Gifting Club “Gotcha”

Promises of quick, easy money can be a powerful lure—especially when it comes with the additional benefit of new friendships.

If you’re approached about joining a club but you aren’t sure if it’s an illegal gifting club, the Federal Trade Commission reminds you to:

- ✓ Consider that a legitimate gift has no strings attached and is not an “investment.”
- ✓ Avoid being misled into thinking a gifting club is legitimate because the ads say that members consider their payments a gift and expect nothing in return. This is an attempt to make an illegal transaction look legal.
- ✓ Be wary of success stories or testimonials of tremendous payoffs. Very few members of illegal gifting clubs or pyramid schemes ever receive any money.
- ✓ Take your time. Don’t buckle under to a high-pressure sales pitch that requires you to join immediately or risk losing out on the opportunity. Remember, solid opportunities—and solid friendships—aren’t formed through nerve-wracking tactics.

## To File a Complaint

If you've been victimized by a gifting club promoter, contact your local consumer protection agency, or state attorney general. You also may file a complaint with the FTC. The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint, or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at [www.ftc.gov](http://www.ftc.gov). The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.